ESSA Bancorp, Inc.
Form 10-Q
August 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2007

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _________ to _________

Commission File No. 001-33384

ESSA Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania	20-8023072
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
200 Palmer Street, Stroudsburg, Pennsylvania	18360
(Address of Principal Executive Offices)	(Zip Code)

(570) 421-0531
(Registrant's telephone number)

N/A
(Former name or former address, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. YES [X] NO [ ].

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

As of August 14, 2007 there were 16,980,900 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

ESSA Bancorp, Inc.
FORM 10-Q

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Part I. Financial Information
Item 1. Financial Statements

ESSA BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS	
Cash and due from banks	$
Interest-bearing deposits with other institutions	
Total cash and cash equivalents	
Investment securities available for sale	2
Investment securities held to maturity (market value of $17,250 and $19,193)	
Loans receivable (net of allowance for loan losses of $4,116 and $3,855)	5
Federal Home Loan Bank stock	
Premises and equipment	
Bank-owned life insurance	
Other assets	
TOTAL ASSETS	$ 8
LIABILITIES	
Deposits	$ 3
Short-term borrowings	
Other borrowings	2
Advances by borrowers for taxes and insurance	
Other liabilities	
TOTAL LIABILITIES	6
Commitment and contingencies	
STOCKHOLDERS' EQUITY	
Preferred stock ($.01 par value: 10,000,000 shares authorized, none issued)	
Common stock ($.01 par value; 40,000,000 shares authorized, 16,980,900 shares issued and outstanding)	
Additional paid in capital	1
Unallocated common stock held by the Employee Stock Ownership Plan	(
Retained earnings	
Accumulated other comprehensive loss	
TOTAL STOCKHOLDERS' EQUITY	2
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME (LOSS)
(UNAUDITED)

	For the T Ended
	2007
	(dollars i
INTEREST INCOME	
Loans receivable	$ 9,041
Investment securities:	
Taxable	2,634
Exempt from federal income tax	74
Other investment income	424
Total interest income	12,173
INTEREST EXPENSE	
Deposits	2,546
Short-term borrowings	480
Other borrowings	2,821
Total interest expense	5,847
NET INTEREST INCOME	6,326
Provision for loan losses	90
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,236
NONINTEREST INCOME	
Service fees on deposit accounts	873
Services charges and fees on loans	178
Trust and investment fees	195
Gain on sale of loans, net	--
Earnings on Bank-owned life insurance	143
Other	22
Total noninterest income	1,411
NONINTEREST EXPENSE	
Compensation and employee benefits	2,828
Occupancy and equipment	690
Professional fees	278
Data processing	475
Advertising	178
Contribution to charitable foundation	12,693
Other	426

Total noninterest expense	17,568
Income (loss) before income tax expense (benefit)	(9,921)
Income tax expense (benefit)	(915)
NET INCOME (LOSS)	$ (9,006)
Basic loss per common share, from date of initial stock offering:	$ (0.27)

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Nine Months Ended June 30, 2007
(dollars in thousands)

	Common Stock	Additional Paid In Capital	Unallocated Common Stock Held by the ESOP	Retained Earnings	Accumulated Comprehensiv Loss
Balance, September 30, 2006	$-	$-	$-	$58,526	$ (189)
Net loss				(6,844)	-
Other comprehensive loss:					
Unrealized loss on securities available for sale, net of tax expense benefit of $322					(626)
Sale of 16,980,900 shares of common stock in the initial public offering	170	166,745	(13,585)		
Allocation of ESOP stock		24	151		
Comprehensive loss					
Balance, June 30, 2007	$170	$166,769	$ (13,434)	$51,682	$(815)

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

OPERATING ACTIVITIES
- Net income (loss)
- Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:
  - Provision for loan losses
  - Provision for depreciation and amortization
  - Accretion of discounts and premiums
  - Amortization of unallocated common stock held by ESOP
  - Gain on sale of loans, net
  - Origination of loans held for sale
  - Proceeds from sale of loans
  - Increase in accrued interest receivable
  - Increase (decrease) in accrued interest payable
  - Earnings on Bank-owned life insurance
  - Deferred federal income taxes (benefit)
  - Other, net

  Net cash provided by (used for) operating activities

INVESTING ACTIVITIES
- Investment securities available for sale:
  - Proceeds from principal repayments and maturities
  - Purchases
- Investment securities held to maturity:
  - Proceeds from principal repayments and maturities
  - Purchases
- Increase in loans receivable, net
- Proceeds from the sale of loans
- Redemption of FHLB stock
- Purchase of FHLB stock
- Purchase of premises, equipment, and software

  Net cash used for investing activities

FINANCING ACTIVITIES

- Decrease (increase) in deposits, net
- Net decrease in short-term borrowings
- Proceeds from long-term FHLB borrowings
- Repayment of long-term FHLB borrowings
- Increase (decrease) in advances by borrowers for taxes and insurance
- Proceeds from the issuance of common stock

  Net cash provided by financing activities

Increase (decrease) in cash and cash equivalents....................................	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD..	
CASH AND CASH EQUIVALENTS AT END OF PERIOD..	
SUPPLEMENTAL CASH FLOW DISCLOSURES	
Cash paid:..	
Interest..	
Income taxes..	

See accompanying notes to the unaudited consolidated financial statements.

ESSA BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(unaudited)

1. Nature of Operations and Basis of Presentation

The unaudited, consolidated financial statements include the accounts of ESSA Bancorp, Inc. (the "Company"), ESSA Bank & Trust (the "Bank"), and the Bank's wholly owned subsidiaries, ESSACOR Inc. and Pocono Investment Company. The Bank is a Pennsylvania chartered savings association located in Stroudsburg, Pennsylvania. The Bank's primary business consists of the taking of deposits and granting of loans to customers generally in Monroe and Northampton counties, Pennsylvania. The Bank is subject to regulation and supervision by the Pennsylvania Department of Banking and the Office of Thrift Supervision (the "OTS").

ESSACOR, Inc. is a Pennsylvania corporation that is currently inactive. Pocono Investment Company is a Delaware corporation formed as an investment company subsidiary to hold and manage certain investments of ESSA Bank & Trust, including certain intellectual property. All intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements reflect all adjustments, which in the opinion of management are necessary for a fair presentation of the results of the interim periods and are of a normal and recurring nature. Operating results for the three- and nine-month periods ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending September 30, 2007.

2. Completion of Initial Public Offering

On July 25, 2006, the ESSA Bank & Trust's Board of Directors adopted a Plan of Conversion (the "Plan") pursuant to which the Bank converted to a Pennsylvania chartered stock association and formed ESSA Bancorp, Inc., a Pennsylvania chartered company (the "Company"). On December 7, 2006 the Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission (File No. 333-139157) with respect to the shares to be offered and sold pursuant to the Plan. The Company registered for offer and sale 16,980,900 shares of common stock, par value $0.01 per share, at a sales price of $10.00 per share.

The stock offering was consummated on April 3, 2007, resulting in gross proceeds of $158.7 million, through the sale of 15,870,000 shares at a price of $10.00 per share. The Company also contributed 1,110,900 shares of its common stock to the ESSA Bank & Trust Foundation and $1.6 million in cash. Expenses related to the offering were approximately $2.9 million which resulted in net proceeds of approximately $155.9 million prior to the contribution to the ESSA Bank & Trust Foundation.

The Company lent approximately $13.6 million to the Bank's Employee Stock Ownership Plan. The Company retained approximately $64.3 million of the net proceeds of the offering prior to the contribution to the ESSA Bank & Trust Foundation, and the remainder of the net proceeds were contributed to the Bank.

3. Earnings per Share

Basic loss per common share has been calculated based on a net loss of $4.2 million from April 3, 2007 to June 30, 2007 (the period during which the common stock was outstanding), and weighted average common shares of 15,627,802 outstanding for the period. The number of shares outstanding for this purpose excludes unallocated ESOP shares.

4. Use of Estimates in the Preparation of Financial Statements

The accounting principles followed by the Bank and its subsidiaries and the methods of applying these principles conform to U.S. generally accepted accounting principles and to general practice within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and

liabilities as of the balance sheet date and related revenues and expenses for the period. Actual results could differ significantly from those estimates.

5. Comprehensive Income (Loss)

The components of comprehensive income (loss) consist exclusively of unrealized gains and losses on available for sale securities. For the nine months ended June 30, 2007, this activity is shown under the heading Comprehensive Income (Loss) as presented in the Consolidated Statement of Changes in Stockholders' Equity (Unaudited). For the three months ended June 30, 2007, comprehensive (loss) totaled $9.9 million. For the three and nine months ended June 30, 2006, comprehensive income totaled $678,000 and $2.4 million, respectively.

6. Recent Accounting Pronouncements

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements, which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value. The Standard does not expand the use of fair value in any new circumstances. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position and results of operations.

In September 2006, the FASB issued FAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R). FAS No. 158 requires that a company recognize the overfunded or underfunded status of its defined benefit post retirement plans (other than multiemployer plans) as an asset or liability in its statement of financial position and that it recognize changes in the funded status in the year in which the changes occur through other comprehensive income. FAS No. 158 also requires the measurement of defined benefit plan assets and obligations as of the fiscal year end, in addition to footnote disclosures. FAS No. 158 is effective for fiscal years ending after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115, which provides all entities with an option to report selected financial assets and liabilities at fair value. The objective of the FAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. FAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of FAS No. 157, Fair Value Measurements. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes. FIN 48 is an interpretation of FAS No. 109, Accounting for Income Taxes, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company's results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"), Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements, providing guidance on quantifying financial statement misstatement and implementation when first applying this guidance. Under SAB No. 108, companies should evaluate a

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misstatement based on its impact on the current year income statement, as well as the cumulative effect of correcting such misstatements that existed in prior years existing in the current year's ending balance sheet. SAB 108 is effective for fiscal years ending after November 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company's results of operations.

In September 2006, the FASB reached consensus on the guidance provided by Emerging Issues Task Force Issue 06-4 ("EITF 06-4"), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The guidance is applicable to endorsement split-dollar life insurance arrangements, whereby the employer owns and controls the insurance policy, that are associated with a postretirement benefit. EITF 06-4 requires that for a split-dollar life insurance arrangement within the scope of the Issue, an employer should recognize a liability for future benefits in accordance with FAS No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract) based on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company's results of operations or financial condition.

In September 2006, the FASB reached consensus on the guidance provided by Emerging Issues Task Force Issue 06-5("EITF 06-5"), Accounting for Purchases of Life Insurance--Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance. EITF 06-5 states that a policyholder should consider any additional amounts included in the contractual terms of the insurance policy other than the cash surrender value in determining the amount that could be realized under the insurance contract. EITF 06-5 also states that a policyholder should determine the amount that could be realized under the life insurance contract assuming the surrender of an individual-life by individual-life policy (or certificate by certificate in a group policy). EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of the standard will have on the Company's results of operations or financial condition.

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 ("EITF 06-10"), Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements. EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact the adoption of the EITF will have on the Company's results of operations or financial condition.

In June 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-11 ("EITF 06-11"), Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards. EITF 06-11 applies to share-based payment arrangements with dividend protection features that entitle employees to receive (a) dividends on equity-classified nonvested shares, (b) dividend equivalents on equity-classified nonvested share units, or (c) payments equal to the dividends paid on the underlying shares while an equity-classified share option is outstanding, when those dividends or dividend equivalents are charged to retained earnings under FAS No. 123R, Share-Based Payment, and result in an income tax deduction for the employer. A consensus was reached that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity-classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase in additional paid-in capital. EITF 06-11 is effective for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of the EITF will have on the Company's financial condition.

7. Investment Securities

The amortized cost and estimated market value of investment securities available for sale and held to maturity are summarized as follows (in thousands):

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Gro

	Amortized Cost	Unrea Ga
Available for Sale		
Fannie Mae	$ 21,189	$
Freddie Mac	70,145	
Governmental National Mortgage Association securities	15,797	
Total mortgage-backed securities	107,131	
Obligations of states and political subdivisions	7,173	
U.S. government agency securities	89,225	
Total debt securities	203,529	
Equity securities	882	
Total	$ 204,411	$
Held to Maturity		
Fannie Mae	$ 8,055	$
Freddie Mac	4,871	
Total mortgage-backed securities	12,926	
U.S. government agency securities	4,731	
Total	$ 17,657	$

	Sep	
	Amortized Cost	Gr Unrea Ga
Available for Sale		
Fannie Mae	$ 6,988	$
Freddie Mac	22,836	
Governmental National Mortgage Association securities	10,503	
Total mortgage-backed securities	40,327	
Obligations of states and political subdivisions	6,240	
U.S. government agency securities	41,960	
Total debt securities	88,527	
Equity securities	882	
Total	$ 89,409	$
Held to Maturity		
Fannie Mae	$ 9,263	$
Freddie Mac	5,722	
Total mortgage-backed securities	14,985	
U.S. government agency securities	4,730	
Total	$ 19,715	$

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The amortized cost and estimated market value of debt securities at June 30, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Available For Sale	
	Amortized Cost	Estima Marke Value
Due in one year or less	$ 74,696	$ 74
Due after one year through five years	23,230	22
Due after five years through ten years	2,000	1
Due after ten years	104,485	103
Total	$ 204,411	$ 203

The Bank had no sale of investment securities for the nine months ended June 30, 2007 and 2006.

8. Loans Receivable, Net and Allowance for Loan Losses

Loans receivable consist of the following (in thousands):

Real Estate Loans:	
Residential	$
Construction	
Commercial	
Commercial	
Home equity loans and lines of credit	
Other	
Less deferred loan fees	

Less allowance for loan losses	-
Net loans	=

The activity in the allowance for loan losses is summarized as follows (in thousands):

	Three Months Ended June 30, 2007		
	2007	2006	
Balance, beginning of period	$ 4,028	$ 3,705	$
Add			
Provision charged to operations	90	75	
Loan recoveries	-	-	
	90	75	
Less loans charged off	2	-	
Balance, end of period	$ 4,116	$ 3,780	$

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9. Deposits

Deposits consist of the following major classifications (in thousands):

Non-interest bearing demand accounts	
NOW accounts	
Money market accounts	
Savings and club accounts	
Certificates of deposit	
Total	

10. Net Periodic Benefit Cost-Defined Benefit Plan

For a detailed disclosure on the Bank's pension and employee benefits plans, please refer to Note 13 of the Bank's Consolidated Financial Statements for the year ended September 30, 2006 included in the Registration Statement on Form S-1.

The following table comprises the components of net periodic benefit cost for the periods ended (in thousands):

	Three Mo Ju
	2007
Service Cost	$ 154
Interest Cost	120
Expected return on plan assets	(111)
Amortization of prior service cost	2
Amortization of unrecognized loss	46
Amortization of transition obligation	--
Net periodic benefit cost	$ 211

The Bank expects to contribute $1.3 million to its pension plan in 2007.

11. Employee Stock Ownership Plan

The Company has an ESOP for the benefit of employees who meet the eligibility requirements. The ESOP trust purchased 1,358,472 shares of common stock in the initial public offering with proceeds from a loan with the Company. The Bank will make cash contributions to the ESOP on an annual basis sufficient to enable the ESOP to make the required loan payments to the Company. The loan bears an interest rate of 8.25% with principal and interest payable in annual installments over thirty years. The loan is secured by the shares of the stock purchased.

As the debt is repaid, shares are released from the collateral and allocated to qualified employees based on the proportion of debt service paid during the year. Accordingly, the shares pledged as collateral are reported as unallocated common stock held by the ESOP in the Consolidated Balance Sheet. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings-per-share computations.

The following table presents the components of the ESOP shares:

	June 30
Shares released for allocation	15

Unreleased shares	1,358
Total ESOP shares	1,343
Fair value of unreleased shares	$15,011

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward Looking Statements

This Quarterly Report contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- adverse changes in the securities markets;
- legislative or regulatory changes that adversely affect our business;
- our ability to enter new markets successfully and take advantage of growth opportunities, and the possible short-term dilutive effect of potential acquisitions or de novo branches, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and the Financial Accounting Standards Board; and
- changes in our organization, compensation and benefit plans.

Overview

The Company consummated its initial stock offering on April 3, 2007 with the sale of 15,870,000 shares of common stock. The Company also contributed 1,110,900 shares of the Company's outstanding common stock, and contributed $1.6 million in cash, to a charitable foundation established by the Bank. Net proceeds of the offering were approximately $155.9 million prior to the contribution to ESSA Bank & Trust Foundation.

Comparison of Financial Condition at June 30, 2007 and September 30, 2006

Total Assets. Total assets increased by $166.5 million, or 22.9%, to $892.3 million at June 30, 2007 from $725.8 million at September 30, 2006. This increase was primarily due to increases in cash and due from banks, interest-bearing deposits with other institutions, investment securities available for sale and loans receivable.

Cash and Due from Banks. Cash and due from banks increased $3.4 million, or 28.7%, to $15.0 million at June 30, 2007 from $11.7 million at September 30,

2006. The increase was primarily due to the fact that June 30, 2007 fell on a weekend which contributed to an increase in the Bank's Federal Reserve Bank balance at June 30, 2007.

Interest-Bearing Deposits with Other Institutions. Interest-bearing deposits with other institutions increased $5.0 million to $6.1 million at June 30, 2007 from $1.1 million at September 30, 2006. As noted earlier, the Company's initial stock offering was consummated on April 3, 2007. Approximately $5.0 million of the net proceeds received from the stock offering were deposited by the Company into its Federal Home Loan Bank of Pittsburgh demand deposit account.

Investment Securities Available for Sale. Investment securities available for sale increased $114.1 million, or 128.0% to $203.2 million at June 30, 2007, from $89.1 million at September 30, 2006. This increase was due almost exclusively to the investment of the majority of the net proceeds from the stock offering into investment grade debt obligations and mortgage-backed securities issued by United States sponsored agencies or entities.

Net Loans. Net loans increased $43.0 million, or 7.7%, to $599.7 million at June 30, 2007 from $556.7 million at September 30, 2006. During this period residential, construction and commercial real estate loans outstanding increased by $31.9 million to $484.3 million, $762,000 to $6.7 million and $7.3 million to $54.8 million, respectively. Commercial loans outstanding increased by $1.1 million to $7.3 million. Home equity loans and lines of credit outstanding increased by $1.0 million to $47.8 million and other loans outstanding increased by $353,000 to $4.6 million.

Deposits. Deposits decreased $4.7 million, or 1.2%, to $397.5 million at June 30, 2007 from $402.2 million at September 30, 2006. At June 30, 2007 compared to September 30, 2006 non-interest bearing demand accounts increased $4.7 million to $28.4 million and now accounts increased $3.8 million to $63.3 million. These increases were more than offset by decreases in money market accounts of $1.6 million to $31.6 million, savings and club accounts of $3.9 million to $72.2 million and certificates of deposit of $7.7 million to $201.9 million. At June 30, 2007, the Bank had $21.7 million of brokered certificates of deposit outstanding.

Borrowed Funds. Funds borrowed from the Federal Home Loan Bank of Pittsburgh increased by $21.7 million, or 8.4%, to $281.0 million at June 30, 2007, from $259.3 million at September 30, 2006. This increase is despite the use of approximately $29.7 million of the net proceeds from the stock offering to pay down shorter term borrowings. The increase in borrowed funds was used primarily to fund additional loan growth.

Stockholders' Equity. Stockholders' equity increased by $146.0 million, to $204.4 million at June 30, 2007 from $58.3 million at September 30, 2006. The net increase in stockholders' equity from the stock offering, after deducting the unallocated stock held by the ESOP, was $153.5 million. This increase was offset, in part, by the Company's net operating loss of $6.8 million for the nine months ended June 30, 2007 and to a lesser degree by an increase in unrealized losses on securities available for sale, net of taxes, of $600,000.

Average Balance Sheets for the Three and Nine Months Ended June 30, 2007 and 2006

The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are monthly average balances, The yields set forth below include the effect of deferred fees and discounts and premiums that are amortized or accreted to interest income.

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	For the Three Months Ended June 30,				
	2007			2006	
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense
	(Dollars in Thousands)				
Interest-earning assets:					
Loans (1)..............	$ 92,083	$ 9,041	6.12%	$ 538,487	$ 8,051
Investment securities...					
Taxable (2)..........	90,777	1,168	5.17%	46,011	489
Exempt from federal income tax(2) (3)....	6,45	73	6.88%	6,437	79
Total investment securities..............	97,229	1,241	5.28%	52,448	568
Mortgage-backed securities	117,545	1,467	5.01%	41,615	457
Federal Home Loan Bank stock.................	14,601	208	5.71%	12,220	161
Other..................	16,498	216	5.23%	5,552	67
Total interest-earning assets............	837,956	12,173	5.84%	650,322	9,304
Allowance for loan losses.................	(4,059)			(3,731)	
Noninterest-earning assets.................	51,115			41,634	
Total assets.........	$ 885,012			$ 688,225	
Interest-bearing liabilities:					

NOW accounts...........	$63,173	12	0.08%	$ 61,507	9
Money market accounts...	31,826	230	2.90%	30,098	176
Savings and club accounts................	73,153	75	0.41%	79,816	95
Certificates of deposit.................	199,983	2,229	4.47%	203,456	2,060
Borrowed funds..........	274,615	3,301	4.82%	227,649	2,553
Total interest-bearing liabilities........	642,750	5,847	3.65%	602,526	4,893
Non-interest bearing NOW accounts.............	32,773			20,761	
Noninterest-bearing liabilities..........	8,511			7,731	
Total liabilities..	684,034			631,018	
Equity.................	200,978			57,207	
Total liabilities and equity...........	$ 885,012			$ 688,225	
Net interest income.....		$ 6,326			$ 4,411

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	For the Three Months Ended June 30,				
	2007			2006	
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense
	(Dollars in Thousands)				
Interest rate spread....			2.19%		
Net interest-earning assets.................	$ 195,206			$ 47,796	
Net interest margin(4)..			3.03%		
Average interest-earning assets to average interest-bearing liabilities..........		130.37%			107.69%

(1) Non-accruing loans are included in the outstanding loan balances. (

2) Held to maturity securities are reported at amortized cost. Available for sale securities are reported at fair value.

(3) Yields on tax exempt securities have been calculated on a fully tax equivalent basis assuming a tax rate of 34%.

(4) Represents the difference between interest earned and interest paid, divided by average total interest earning assets.

	For the Nine Months Ended June 30,			
	2007			
	Average Balance	Interest Income/ Expense	Yield/Cost	Average Balance
	(Dollars in Thousands)			
Interest-earning assets:				
Loans(1)...............	$ 578,646	$ 26,426	6.11%	$ 527,567
Investment securities...				
Taxable(2)...........	56,399	2,065	4.90%	43,151
Exempt from federal income tax(2)(3).....	6,441	219	6.89%	5,733
Total investment securities.............	62,840	2,284	5.10%	48,884
Mortgage-backed securities	84,181	3,064	4.87%	37,763
Federal Home Loan Bank stock................	14,226	576	5.41%	11,875
Other..................	15,992	633	5.29%	8,930
Total interest-earning assets............	755,885	32,983	5.85%	635,019
Allowance for loan losses	(3,973)			(3,657)
Noninterest-earning assets	47,591			41,012
Total assets.........	$ 799,503			$ 672,374
Interest-bearing liabilities:				
NOW accounts............	$ 61,342	32	0.07%	$ 60,820
Money market accounts...	34,699	763	2.94%	31,267
Savings and club accounts	77,612	246	0.42%	80,376
Certificates of deposit.	206,392	6,871	4.45%	192,665
Borrowed funds..........	266,777	9,557	4.79%	223,925
Total interest-bearing liabilities........	646,822	17,469	3.61%	589,053
Non-interest bearing NOW accounts.............	38,088			20,034
Noninterest-bearing liabilities...........	7,529			6,935
Total liabilities..	692,439			616,022
Equity.................	107,064			56,352

Total liabilities and equity............	$ 799,503	$ 672,374
	=========	=========

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	For the Nine Months Ended June 30,			
	2007			
	Average Balance	Interest Income/ Expense	Yield/Cost	Average Balance
Net interest income.....		$ 15,514		$
		=========		
Interest rate spread....			2.24%	
Net interest-earning assets.................	$ 109,063			$ 45,966
	=========			=========
Net interest margin(4)..			2.74%	
Average interest-earning assets to average interest-bearing liabilities..........		116.86%		1

(1) Non-accruing loans are included in the outstanding loan balances.

(2) Held to maturity securities are reported at amortized cost. Available for sale securities are reported at fair value.

(3) Yields on tax exempt securities have been calculated on a fully tax equivalent basis assuming a tax rate of 34%.

(4) Represents the difference between interest earned and interest paid, divided by average total interest earning assets.

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Comparison of Operating Results for the Three Months Ended June 30, 2007 and June 30, 2006

Net Income. Net income decreased $10.0 million to a net loss of $9.0 million for the three months ended June 30, 2007 compared to net income of $1.0 million for the comparable period in 2006. The primary reason for this decrease was a $12.7 million pre-tax charitable contribution to the ESSA Bank & Trust Foundation. The contribution was made in conjunction with the stock offering and was detailed in the Company's prospectus.

Net Interest Income. Net interest income increased by $1.9 million, or 43.4%, to $6.3 million for the three months ended June 30, 2007 from $4.4 million for the comparable 2006 period. The increase was primarily attributable to an increase in net average interest earnings assets of $147.4 million offset by a 31 basis point decrease in the interest rate spread to 2.19% for the three months ended June 30, 2007 from 2.50% for the comparable 2006 period.

Interest Income. Interest income increased $2.9 million, or 30.8%, to $12.2 million for the three months ended June 30, 2007 from $9.3 million for the comparable 2006 period. The increase resulted from a $187.6 million increase in average interest-earning assets combined with an eight basis point increase in the overall yield on interest earning assets to 5.84% for the three months ended June 30, 2007, from 5.76% for the comparable 2006 period. Loans increased on average $53.6 million between the two periods along with increases in the average balance of investment securities of $44.8 million and mortgage-backed securities of $75.9 million. In addition, average Federal Home Loan Bank stock increased $2.4 million along with an increase in the average balance of other interest earning assets of $10.9 million. The primary reason for the increase in other interest earning assets was funds received for stock orders during the Company's initial stock offering which was consummated on April 3, 2007. Cash received during the offering period was held until April 3, 2007 when it was used to execute stock purchases or refunded to the orderer. While held, this cash was maintained in a demand account at the Federal Home Loan Bank. The primary reasons for the increase in investment securities and mortgage-backed securities was the partial reinvestment of borrowing proceeds into these assets along with the investment of the majority of the net proceeds from the stock offering into short-term, investment grade debt and mortgage-backed securities issued by United States government sponsored agencies or entities.

Interest Expense. Interest expense increased $900,000, or 19.5%, to $5.8 million for the three months ended June 30, 2007 from $4.9 million for the comparable 2006 period. The increase resulted from a $40.2 million increase in average interest-bearing liabilities, combined with a 39 basis point increase in the overall cost of interest bearing liabilities to 3.65% for the three months ended June 30, 2007 from 3.26% for the comparable 2006 period. Average interest bearing deposits decreased $6.7 million which was offset by an increase in average borrowed funds of $50.0 million. The decrease in interest bearing deposits was due primarily to activity related to the Company's initial stock offering.

Provision for Loan Losses. In evaluating the level of the allowance for loan losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect a borrower's ability to repay, the estimated value of any underlying collateral, peer group information and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are subject to interpretation and revision as more information becomes available or as future events occur. After an evaluation of these factors, management made a provision for loan losses of $90,000 for the three months ended June 30, 2007 as compared to $75,000 for the three months ended June 30, 2006. The allowance for loan losses was $4.1 million, or 0.68% of loans outstanding at June 30, 2007, compared to $3.8 million, or 0.69% of loans outstanding at June 30, 2006.

Non-interest Income. Non-interest income increased $16,000 or 1.1% to $1.4 million for the three months ended June 30, 2007, from $1.4 million for the comparable 2006 period. The increase was primarily due to increases in service charges and fees on loans of $58,000, trust and investment fees of $16,000 and earnings on Bank-owned life insurance of $12,000 offset, in part, by a decrease in service fees on deposit accounts of $60,000. The decrease in service fees on deposit accounts was primarily due to a decrease in non-sufficient fund charges of $86,000 related to volume.

Non-interest Expense. Non-interest expense increased $13.3 million to $17.6 million for the three months ended June 30, 2007 from $4.3 million for the comparable 2006 period. The primary reason for the increase was the one-time increase in contribution to charitable foundation expense of $12.6 million for the three months ended June 30, 2007 compared to the comparable period in 2006. This increase was the result of the Company's contribution of $12.7 million to the ESSA Bank & Trust Foundation made in connection with the Company's initial public stock offering. Excluding the contribution, non-interest expense increased $620,000 or 14.6% for the three months ended June 30, 2007 compared to the comparable period in 2006. Increases in compensation and employee benefits of $447,000, occupancy and equipment of $84,000 and professional fees of $72,000 were the primary reasons for the increases. The increase in compensation and employee benefits was the result of normal merit increases combined with increases in board of director fees, incentive accruals and pension and other benefit costs. The increase in occupancy and equipment costs was due primarily to increases in lease expense for office buildings, utility and maintenance costs. The increase in professional fees was due primarily to increased legal and accounting costs resulting from the Bank's conversion to a stock company.

Income Taxes. Income tax benefit of $915,000 was recognized for the three months ended June 30, 2007 compared to income tax expense of $457,000 for the three months ended June 30, 2006. The benefit recognized in the 2007 period was due to the pre-tax loss of $9.9 million for the quarter, while the expense recognized in the 2006 period was due to the pre-tax income of $1.5 million for the quarter. The tax deduction generated by the contribution to the ESSA Bank & Trust Foundation exceeded the allowable federal income tax deduction limitations resulting in the establishment of a valuation allowance on the contribution carry forward and a decreased effective tax rate in the 2007 period.

Comparison of Operating Results for the Nine Months Ended June 30, 2007 and June 30, 2006

Net Income. Net income decreased $9.8 million to a net loss of $6.8 million for the nine months ended June 30, 2007 compared to net income of $3.0 million for the comparable period in 2006. The primary reason for this decrease was a $12.7 million pre-tax charitable contribution to the ESSA Bank & Trust Foundation.

Net Interest Income. Net interest income increased by $2.6 million, or 20.2%, to $15.5 million for the nine months ended June 30, 2007 from $12.9 million for the comparable 2006 period. The increase was primarily attributable to an increase in net average interest earnings assets of $63.1 million offset by a 27 basis point decrease in the interest rate spread to 2.24% for the nine months ended June 30, 2007 from 2.51% for the comparable 2006 period.

Interest Income. Interest income increased $6.2 million, or 23.4%, to $33.0 million for the nine months ended June 30, 2007 from $26.7 million for the comparable 2006 period. The increase resulted from a $120.9 million increase in average interest-earning assets combined with a 20 basis point increase in the overall yield on interest earning assets to 5.85% for the nine months ended June 30, 2007, from 5.65% for the comparable 2006 period. Loans increased on average $51.1 million between the two periods along with increases in the average balance of investment securities, of $14.0 million, and mortgage-backed securities of $46.4 million. Also, average Federal Home Loan Bank stock increased $2.4 million along with an increase in the average balance of other interest earning assets of $7.1 million. The primary reason for the increase in average other interest earning assets was due to the funds received for stock orders during the Company's initial stock offering which was consummated on April 3, 2007. Cash received during the offering period was held until April 3, 2007 when it was used to execute stock purchases or refunded to the orderer. While held, this cash was maintained in a demand account at the Federal Home Loan Bank. The primary reasons for the increase in investment securities and mortgage-backed securities was the partial reinvestment of deposit and borrowing proceeds into these assets along with the investment of the majority of the net proceeds from the stock offering into short-term, investment grade debt and mortgage-backed securities issued by United State government sponsored agencies or entities.

Interest Expense. Interest expense increased $3.6 million, or 26.4%, to $17.5 million for the nine months ended June 30, 2007 from $13.8 million for the comparable 2006 period. The increase resulted from a $57.8 million increase in

average interest-bearing liabilities, combined with a 47 basis point increase in the overall cost of interest bearing liabilities to 3.61% for the nine months ended June 30, 2007 from 3.14% for the comparable 2006 period. Average interest bearing deposits increased $14.9 million along with an increase in average borrowed funds of $42.9 million.

Provision for Loan Losses. In evaluating the level of the allowance for loan losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect a borrower's ability to repay, the estimated value of any underlying collateral, peer group information and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are subject to interpretation and revision as more information becomes available or as future events occur. After an evaluation of these factors, management made a provision for loan losses of $270,000 for the nine months ended June 30, 2007 as compared to $225,000 for the nine months ended June 30, 2006. The allowance for loan losses was $4.1 million, or 0.68% of loans outstanding at June 30, 2007, compared to $3.8 million, or 0.69% of loans outstanding at June 30, 2006.

Non-interest Income. Non-interest income decreased $31,000 or 0.7% to $4.1 million for the nine months ended June 30, 2007, from $4.2 million for the comparable 2006 period. The decrease was primarily due to a decrease in service fees on deposit accounts of $224,000 which was partially offset by increases in trust and investment fees of $97,000, service charges and fees on loans of $79,000, and earning on bank owned life insurance of $29,000. The decrease in service fees on deposit accounts was primarily due to a decrease in non-sufficient fund charges of $221,000 related to volume.

Non-interest Expense. Non-interest expense increased $13.7 million to $26.3 million for the nine months ended June 30, 2007 from $12.6 million for the comparable 2006 period. The primary reason for the increase was the one-time increase in contribution to charitable foundation expense of $12.4 million for the nine months ended June 30, 2007 compared to the comparable period in 2006. This increase was the result of the Company's contribution of $12.7 million to the ESSA Bank & Trust Foundation made in connection with the Company's initial public stock offering. Excluding the contribution, non-interest expense increased $983,000 or 7.8% for the nine months ended June 30, 2007 compared to the comparable period in 2006. Increases in compensation and employee benefits of $1.0 million, occupancy and equipment of $132,000 and advertising of $68,000 were the primary reason for the increases. The increase in compensation and employee benefits was the result of normal merit increases combined with increases in board of director fees, incentive accruals and pension and other benefit costs. The increase in occupancy and equipment costs was due primarily to increases in lease expenses for office buildings, utility and maintenance costs. Advertising expense increased as a result of our increased efforts to maintain and improve our presence in our market area.

Income Taxes. Income tax benefit of $79,000 was recognized for the nine months ended June 30, 2007 compared to income tax expense of $1.3 million for the nine months ended June 30, 2006. The benefit recognized in the 2007 period was due to the pre-tax loss of $6.9 million for the quarter, while the expense recognized in the 2006 period was due to the pre-tax income of $4.2 million for the quarter. The tax deduction generated by the contribution to ESSA Bank & Trust Foundation exceeded the allowable federal income tax deduction limitations resulting in the establishment of a valuation allowance on the contribution carry forward and a decreased effective tax rate in the 2007 period.

The following table provides information with respect to the Bank's non-performing assets at the dates indicated. (Dollars in thousands)

	June
Non-performing assets:	
Non-accruing loans	$
Accruing loans past due 90 days or more..	
Total non-performing loans	
Real estate owned..	
Total non-performing assets..	$
Ratio of non-performing loans to total loans..	
Ratio of non-performing loans to total assets...	
Ratio of non-performing assets to total assets..	

Loans are reviewed on a regular basis and are placed on non-accrual status when they become more than 90 days delinquent. When loans are placed on non-accrual status, unpaid accrued interest is fully reserved, and further income is recognized only to the extent received.

Liquidity and Capital Resources

We maintain liquid assets at levels we consider adequate to meet both our short-term and long-term liquidity needs. We adjust our liquidity levels to fund deposit outflows, repay our borrowings and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives.

Our primary sources of liquidity are deposits, and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, and earnings and funds provided from operations, as well as access to Federal Home Loan Bank advances. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and rates offered by our competition. We set the interest rates on our deposits to maintain a desired level of total deposits.

A portion of our liquidity consists of cash and cash equivalents and borrowings, which are a product of our operating, investing and financing activities. At June 30, 2007, $21.1 million of our assets were invested in cash and cash equivalents. Our primary sources of cash are principal repayments on loans, proceeds from the maturities of investment securities, principal repayments of mortgage-backed securities and increases in deposit accounts. Short-term investment securities (maturing in one year or less) totaled $77.3 million at June 30, 2007. As of June 30, 2007, we had $281.0 million in borrowings outstanding from the Federal Home Loan Bank of Pittsburgh and we have access to additional Federal Home Loan Bank advances of up to approximately $300.1 million.

At June 30, 2007, we had $60.6 million in loan commitments outstanding, which included, in part, $19.1 million in undisbursed construction loans, $21.9 million in unused home equity lines of credit, $5.7 million in commercial lines of credit and $3.7 million to originate primarily multi-family and nonresidential mortgage loans. Certificates of deposit due within one year of June 30, 2007 totaled $146.7 million, or 72.7 % of certificates of deposit. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of

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deposit due on or before September 30, 2007. We believe, however, based on past experience, that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

As reported in the Consolidated Statements of Cash Flows, our cash flows are classified for financial reporting purposes as operating, investing or financing cash flows. Net cash provided by (used for) operating activities was ($6.5) million and $2.9 million for the nine months ended June 30, 2007 and 2006, respectively. These amounts differ from our net income because of a variety of cash receipts and disbursements that did not affect net income for the respective periods. Net cash used in investing activities was $158.4 million and $51.2 million for the nine months ended June 30, 2007 and 2006, respectively, principally reflecting our loan and investment security activities in the respective periods. Investment security cash flows had the most significant effect, as net cash utilized in purchases amounted to $151.7 million and $39.8 million for the nine months ended June 30, 2007 and 2006, respectively. Deposit, borrowing, and stock offering subscription rights cash flows have comprised most of our financing activities which resulted in net cash provided of $173.3 million and $42.8 million for the nine months ended June 30, 2007 and 2006, respectively.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies:

Allowance for Loan Losses. The allowance for loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of our most critical. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions utilized and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans and discounted cash flow valuations of properties are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisals and discounted cash flow valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals and discounted cash flow valuations are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of the borrower, results of internal and external loan reviews and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision based on changes in economic and real estate market conditions.

The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general

allocations. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. We consider the determination of this valuation allowance to be a critical accounting policy because of the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. A valuation allowance for deferred tax assets may be required if the amount of taxes recoverable through loss carryback declines, or if we project lower levels of future taxable income. Such a valuation allowance would be established through a charge to income tax expense which would adversely affect our operating results. At June 30, 2007 the Company had a $2.6 million reserve established against its deferred tax asset.

Other-than-Temporary Investment Security Impairment. Securities are evaluated periodically to determine whether a decline in their value is other-than-temporary. Management utilizes criteria such as the magnitude and duration of the decline, in addition to the reasons underlying the decline, to determine whether the loss in value is other-than-temporary. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as such term is defined in applicable Securities and Exchange Commission rules) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

During the first nine months of 2007, the Company's contractual obligations have not changed materially from those discussed in the Company's Financial Statements for the year ended September 30, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits and borrowings. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has approved guidelines for managing the interest rate risk inherent in our assets and liabilities, given our business strategy, operating environment, capital, liquidity and performance objectives. Senior management monitors the level of interest rate risk on a regular basis and the asset/liability committee meets quarterly to review our asset/liability policies and interest rate risk position.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. The net proceeds from the offering will increase our capital and provide management with greater flexibility to manage our interest rate risk. In particular, management intends to leverage the capital we receive to increase our interest-earning assets. There have been no material changes in our interest rate risk since September 30, 2006.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no significant changes made in the Company's internal controls over financial reporting or in other factors that could significantly affect the Company's internal controls over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes in the "Risk Factors" disclosed in the Company's Registration Statement on Form S-1 (Commission File No. 333-139157).

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no sales of unregistered securities during the period covered by this Report.

(b) The stock offering, which was completed on March 15, 2007, resulted in gross proceeds of $158.7 million, through the sale of 15,870,000 shares at a price of $10.00 per share. The Company also contributed 1,110,900 shares of its common stock to the ESSA Bank & Trust Foundation and $1.6 million in cash. Expenses related to the offering were approximately $2.8 million, including the expenses paid to Ryan, Beck & Co., Inc. No underwriting discounts, commissions or finders fees were paid in connection with the offering. Net proceeds of the offering were approximately $155.9 million prior to the contribution to ESSA Bank & Trust Foundation.

(c) There were no issuer repurchases of securities during the period covered by this Report.

Item 3. Defaults Upon Senior Securities Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

During the period covered by this report, the Company did not submit any matters to the vote of security holders.

Item 5. Other Information Not applicable.

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

3.1 Charter of ESSA Bancorp, Inc. *

3.2 Bylaws of ESSA Bancorp, Inc. *

4 Form of Common Stock Certificate of ESSA Bancorp, Inc.*

10.1 Form of Employee Stock Ownership Plan*

10.2 Form of Employment Agreement for Chief Executive Officer*

10.3 Form of Employment Agreement for Executive Officers*

10.4 Form of Change in Control Agreement*

10.5 [Reserved]

10.6 Supplemental Retirement Plan for Gary S. Olson*

10.7 Supplemental Retirement Plan for Robert S. Howes, Jr.*

10.8 Supplemental Retirement Plan for Diane K. Reimer*

10.9 Supplemental Retirement Plan for Thomas J. Grayuski*

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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* Filed as exhibits to the Company's Registration Statement on Form S-1, and any amendments thereto, with the Securities and Exchange Commission (Registration No. 333-139157).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESSA BANCORP, INC.

Date: August 14, 2007 /s/ Gary S. Olson

Gary S. Olson
President and Chief Executive Officer

Date: August 14, 2007 /s/ Allan A. Muto

Allan A. Muto
Executive Vice President and
Chief Financial Officer

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Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary S. Olson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ESSA Bancorp, Inc., a Pennsylvania corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2007

/s/ Gary S. Olson

Gary S. Olson
President and Chief Executive Officer

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Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Allan A. Muto, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ESSA Bancorp, Inc., a Pennsylvania corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2007

/s/ Allan A. Muto

Allan A. Muto
Executive Vice President and
Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Gary S. Olson, Chief Executive Officer and President of ESSA Bancorp, Inc., a Pennsylvania corporation (the "Company") and Allan A. Muto, Executive Vice President and Chief Financial Officer of the Company, each certify in his capacity as an officer of the Company that he has reviewed the quarterly report on Form 10-Q for the period ended June 30, 2007 (the "Report") and that to the best of his knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2007

/s/ Gary S. Olson

Gary S. Olson
President and Chief Executive Officer

Date: August 14, 2007

/s/ Allan A. Muto

Allan A. Muto
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.